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SUBJECT: CANADA'S MINORITY GOVERNMENT FALLS -- HOW THINGS
WORK DURING THE INTERIM PERIOD

1. (SBU) Summary: After losing a straight up confidence vote the evening of November 28 Prime Minister Martin went to the Governor General the morning of November 29 and asked her to dissolve Parliament. He then announced that the election would be January 23, and by the afternoon all party leaders were on the campaign trail. During the almost eight-week campaign, the longest in 25 years, the PM and Cabinet retain their positions and authority to govern, and the Cabinet can hold meetings if needed, although without the ability to allocate new funding. Parliament is dissolved, and MPs retain administrative status for the purposes of pay only. There was a flurry of legislative action in the final throes of the 38th Parliament, including passage of bills on trafficking in persons and proceeds of crime, and the Cabinet granted approval for the purchase of 16 C-130J aircraft. End Summary.

THE GOVERNMENT FALLS

2. (U) The House of Commons voted on a non-confidence motion last night which ended the 38th parliament and forced the Prime Minister to call for an election. The final vote was 171 to 133 over the simple Conservative motion tabled November 24 that declared "The House condemns the government for its arrogance in refusing to compromise with the opposition parties over the timing of the next general election and for its 'culture of entitlement,' corruption, scandal, and gross abuse of public funds for political purposes and, consequently the government no longer has the confidence of the House."

ELECTION SET FOR JANUARY 23

3. (U) PM Martin went to the Governor General's residence at 9:30 AM November 29 to inform her of the non-confidence vote and ask her to dissolve Parliament. Upon leaving the residence, he announced that the next election would be held on January 23. At 56 days, this will be one of the longest campaigns in recent Canadian history. The minimum period of time for a campaign is 35 days but the PM wanted to account for the possibility of an informal break for Christmas week and some additional flexibility, presumably to take some of the time pressure off for difficult winter travel.

HOW AN INTERIM CANADIAN GOVERNMENT WORKS

4. (U) Until the next election, the PM will remain as head of government. His cabinet will also continue in office, but the majority of its members will also have campaigns to run, so they will be distracted. The Cabinet will be doubly inactive since the campaign will be occurring over the holidays when Parliament would not be sitting in any event. Any ministers who lose the election would continue in office until the new cabinet is seated. Sitting Liberal Defense Minister David Pratt, for example, was defeated in the June 2004 election by Conservative Pierre Poilievre but continued to sit as Defense Minister until July 19.

5. (U) Members of Parliament will continue to hold their positions for administrative purposes only (primarily to receive their pay), until the date of the general election. The Speaker, Deputy Speaker, and Members of the Board of Internal Economy will continue in office as a kind of caretaker administration until they are replaced in a new Parliament, presumably in late February or early March.

FINAL PUSH ON LEGISLATION

6. (U) The dissolution of Parliament has caused all pending bills before the House and Senate to die on the Order Paper. This is true of all bills that have not received Royal Assent. It caused a flurry of activity Friday and Monday to push through as many bills as possible. In one historic case a bill that cuts taxes on jewelry produced in Canada was introduced on Friday and received Royal Assent on Monday, the first time a private member's bill successfully cut taxes.

In total eleven bills made received Royal Assent on Monday, among them:

- C-11: Whistleblower Protection Act
- C-37: Restrictions on telemarketers (don't call at all during dinner)
- C-49: Amendment to Criminal Code making trafficking in persons a criminal offense by prohibiting: global trafficking in persons, reaping the economic benefits of trafficking, and withholding or destroying documents to facilitate trafficking in persons.
- C-53: Reverse onus of proof in proceeds of crime applications (making it easier to seize property from criminals and drug traffickers)
- C-54: Act to provide First Nations with the option of managing and regulating oil and gas exploration and exploitation and receiving money otherwise held for them by the federal government.
- C-55: Protection of worker's wages and pensions in the event of corporate bankruptcy.
- C-66: Home heating cost rebate of C\$250 for low-income families.
- C-71: Establishment of regulatory regimes for commercial and industrial activities undertaken on reserve lands pursuant to agreements with First Nations.
- C-331 Expresses "deep sorrow" for the internment of Ukrainian Canadians during the First World War.

17. (U) If a party wins successive elections it can reintroduce bills with new numbers, and although the process technically starts over, familiarity with the bills could tend to fast-track them. At the end of the fall semester in 2004, for example, the Liberal Government highlighted the fact that it was promoting a busy and diverse legislative agenda. Opposition parties and other critics dismissed such claims by pointing out that many of the bills were leftovers from the Chretien government.

MONEY ISSUES -----

18. (U) With the dissolution of Parliament, spending is also put on hold -- the government's regular programs continue to function, but no new money can be authorized. This caused a last minute push to secure funding for key projects. Cabinet approved late last week funding for 16 C-130J aircraft for delivery in 2008. This C\$4.6 billion purchase was part of the C\$12.8 billion defense plus-up as part of the budget surplus and came under fire when European contractors believed they were being shut out of the competition. There wasn't time to conclude plans for 15 heavy-lift helicopters and 15 search-and-rescue planes. Conservative Defense Critic Gordon O'Connor called the C-130 decision politically motivated and said it could be revisited by the new government, but it appears to have broad support, especially in the wake of basic transportation challenges in recent operations.

19. (U) Another money issue of interest to the U.S. is the C\$1.5 billion in softwood loan insurance and other assistance to the forestry industry that the government announced last week. Since the funding is largely covered under existing programs and does not require a new government appropriation, it could conceivably go forward despite the dissolution of Parliament, although given the timelines for such funding, a new government would presumably be in place prior to its implementation. (Details will be sent septel)

110. (SBU) Comment: After the NDP pulled out its support for the Liberal government last month it was only a matter of time before the 38th Parliament ended. It appears that Canadians are now resigned to a winter election, and with the built-in Christmas break and long campaign, there is no longer talk of punishing the party that brought it on. Canadian Ambassador Frank McKenna, in a November 29 phone call to Ambassador Wilkins, predicted that the campaign will be "nasty." He also expected anti-American themes to surface in the campaign rhetoric. During the interim period the bureaucracy continues to function so much SPP related business will move forward. But there will be no new initiatives and no one to engage at the senior levels on anything but emergencies. It is also clear that the new government will again be a minority, so we can expect some of the same caution and drift that we have experienced over the past 18 months.

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